

*Freimans*

OF OTTAWA

**ANNUAL REPORT • 1969**







AR26



**A. J. FREIMAN LIMITED**

*Stores*

Rideau Street

St. Laurent Shopping Centre

Westgate Shopping Centre

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**FREIMART STORES LTD.**

Baseline Road and Woodroffe Ave.

Blair Road and Queensway

---

*Foreign Buying Offices*

**U.S.A.**

11 West 42nd Street,

New York, 36, N.Y.

208 West Eight Street,

Los Angeles 14, California

**ENGLAND**

27 Albemarle Street,

London, W 1

**FRANCE**

20 rue de la Paix

Paris, 2

**ITALY**

10 Lungarno Acciaiuoli

Florence

*Freiman's*  
OF OTTAWA

**INTERIM  
REPORT**

FOR THE SIX MONTHS ENDED JULY 31st, 1969



## To The Shareholders of

### A. J. FREIMAN LIMITED

The accompanying financial statements present results for the six months ended July 31st, 1969, indicating an increase in sales and earnings. More important, however, has been the trend showing a continuing improvement in sales.

As I pointed out to the shareholders in the report for the year ended January 31st, 1969, our most serious problem last year was the development of our new store in its first full year of operation in the St. Laurent Shopping Centre. I am pleased to report now that the St. Laurent store is showing a substantial improvement.

We, along with business generally, are experiencing increased costs which, to some extent, have affected our earnings in the period under review. By and large, I believe the general outlook is encouraging, particularly in view of the fact that the latter half of the year in the department store field is the most profitable period. However, this outlook may be affected by announcements made yesterday regarding proposed measures to curtail employment in the Public Service.

LAWRENCE FREIMAN

Chairman

Ottawa, September 26th., 1969

## A. J. FREIMAN LIMITED and Subsidiary Companies

### INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS (unaudited)

	For the Six Months 1st February to 31st July 1969	1968
SALES.....	\$12,606,758	\$12,330,621
Cost of merchandise sold and all expenses except items shown below .....	11,982,716	11,780,255
Provision for depreciation and amortization of improvements, alterations and development expenses.....	249,390	273,183
Bond, debenture and bank interest.....	256,169	269,727
	12,488,275	12,323,165
Profit before provision for income taxes .....	118,483	7,456
Provision for income taxes.....	47,700	1,700
Net profit for the period .....	\$ 70,783	\$ 5,756

### STATEMENT OF SOURCE AND APPLICATION OF FUNDS (unaudited)

SOURCE	During the Six Months 1st February to 31st July 1969	1968
Net Profit .....	\$ 70,783	\$ 5,756
Depreciation and amortization of improvements, alterations and development expenses.....	249,390	273,183
Decrease in other investments .....	618	—
	320,791	278,939
APPLICATION		
Fixed assets, improvements, alterations and development expenses .....	34,519	35,741
Redemption of bonds and debentures .....	243,500	243,500
Dividends paid.....	76,500	76,500
Increase in cash surrender value of life insurance .....	5,000	6,402
	359,519	362,143
Net decrease in working capital.....	\$ (38,728)	\$ (83,204)





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**OF OTTAWA**

**INTERIM  
REPORT**



To The Shareholders of  
A. J. FREIMAN LIMITED

The accompanying financial statements present results for the six months ended July 31st, 1970.

I am pleased to report the continuing increase in sales and earnings as indicated.

I believe it is encouraging that sales continued to increase and our earnings in the first six months were considerably improved despite increases in costs which we, along with business generally, are experiencing.

In view of this, and the fact that the latter half of the year in the department store field is the most profitable, we are looking forward to a satisfactory year.

LAWRENCE FREIMAN  
Chairman

September 14, 1970

A. J. FREIMAN LIMITED and Subsidiary Companies

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS  
(unaudited)

	For the Six Months 1st February to 31st July 1970	1969
NET SALES.....	\$13,106,359	\$12,606,758
PROFIT BEFORE INCOME TAXES.....	173,674	118,483
PROVISION FOR INCOME TAXES.....	72,400	47,700
NET PROFIT AFTER TAXES.....	101,274	70,783

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
(unaudited)

	For the Six Months 1st February to 31st July 1970	1969
SOURCE		
Net Profit.....	\$ 101,274	\$ 70,783
Depreciation and amortization.....	215,610	249,390
Decrease in other investments.....	—	618
	316,884	320,791
APPLICATION		
Fixed Asset additions.....	82,000	34,519
Redemption of Bonds and Debentures.....	243,500	243,500
Dividends paid.....	76,500	76,500
Increase in cash surrender value of life insurance.....	5,000	5,000
	407,000	359,519
Net decrease in working capital.....	(90,116)	(38,728)





## TO THE SHAREHOLDERS OF A. J. FREIMAN LIMITED

I am pleased to present, on behalf of the Board of Directors, the annual accounts of the Company and its subsidiaries for the twelve months ended January 31st, 1970.

Sales were \$29,429,217 compared to \$27,761,766 for the previous year.

Net profit from operations after taxes was \$303,231 compared to \$192,037 for the previous year.

In the interim report of September 1969 and in last year's annual report, I mentioned certain factors in the development of our new store in the St. Laurent Shopping Centre which had made for a reduction in earnings. I am pleased to report now that after two years of operations that store is developing according to our anticipations; in the year under review it had a substantial increase in sales and its operating loss was reduced significantly. This has accounted for a considerable part of the increase in the Company's earnings over the previous year. If the present rate of improvement in sales so far this year continues, the St. Laurent store will greatly assist in developing further earnings for the Company. There seems little question now that this store will turn out to be one of Freiman's most important assets and one from which, I believe, our shareholders will derive great benefit.

I am pleased to report also that our sales reached a record in the Company's history. We recognize that this year it is important to consolidate this larger volume, and the increases in volume that we believe we shall attain, into higher profitability.

I am confident that, unless there are serious inroads into the Canadian economy generally, and, indeed, more specifically in Ottawa, our Company should make continued strides in both sales and earnings during the ensuing year.

As the shareholders are no doubt aware, last September I announced the appointment of Mr. LeRoy J. Steele as President and General Manager of the Company. Subsequently Mr. Richard Clare was appointed as Vice President of Finance and Mr. Dudley Beckett as Vice President, Personnel and Operations. These gentlemen bring to the Company a wealth of experience and I am certain they will make a great contribution to our operations. Also Mr. Gordon Roston was appointed Assistant General Manager.

During the year included in the bereavements which the Company suffered were the late Lawrence Bilsky, Vice President, Personnel, the late Frank Ryan, Vice President, Suburban Stores, and the late Bernard Chatillon, Manager of our Westgate store. I wish to join again with all of my associates in the Company in paying our tribute to them.

This past year reflects the acceptance accorded the Company's merchandise by an ever-expanding number of customers. For this, we are most grateful, and also for the important efforts made by its personnel at all levels of the organization, and for the co-operation of its suppliers.

On behalf of the Board of Directors,

LAWRENCE FREIMAN,  
*Chairman*

June 1st, 1970.





## **A. J. FREIMAN LIMITED**

OTTAWA, CANADA

### *Officers*

Lawrence Freiman, S.M., LL.D.  
*Chairman and Chief Executive Officer*

LeRoy J. Steele, M.B.A.  
*President and General Manager*

H. Perlmann  
*Executive Vice-President*

Richard T. Clare, C.P.A.  
*Vice President Finance*

Dudley A. Beckett  
*Vice President Personnel and Operations*

B. Luxenberg, Q.C.  
*Secretary*

B. M. Alexandor, Q.C.  
*Treasurer*

D. F. Alexandor, LL.B.  
*Assistant Secretary*

### *Board of Directors*

Lawrence Freiman  
Mrs. B. M. Alexandor  
Mrs. B. Luxenberg  
LeRoy J. Steele  
Ward C. Pitfield

Sydney Hermant  
H. Perlmann  
G. Roston  
A. J. Freiman, II

*Bankers:* Canadian Imperial Bank of Commerce

*Auditors:* Price Waterhouse & Co.

*Transfer Agent and Registrar:* The Royal Trust Company

### *Stores*

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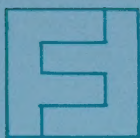
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Florence

June 1st, 1970.





## A. J. FREIMAN LIMITED *and Subsidiary Companies*

### CONSOLIDATED STATEMENT OF EARNINGS

for the year ended January 31, 1970

	January 31 1970	January 31 1969
Sales . . . . .	\$29,429,217	\$27,761,766
Cost of merchandise sold and all expenses, except the items shown below: . . . . .	27,747,683	26,294,102
Provision for depreciation . . . . .	399,276	400,826
Amortization of alterations, improvements and development expenses . . . . .	96,389	109,809
Amortization of leasehold improvements . . . . .	60,953	60,956
Bond and debenture interest . . . . .	180,239	193,760
Bank interest . . . . .	316,446	325,276
	<u>28,800,986</u>	<u>27,384,729</u>
Earnings before provision for income taxes . . . . .	628,231	377,037
Provision for income taxes (Note 3)		
Current . . . . .	406,000	259,000
Deferred . . . . .	( 81,000)	( 74,000)
	<u>325,000</u>	<u>185,000</u>
Net earnings for the year . . . . .	<u>\$ 303,231</u>	<u>\$ 192,037</u>

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended January 31, 1970

	January 31 1970	January 31 1969
Balance at beginning of year . . . . .	\$ 6,452,036	\$ 6,412,999
Net earnings for the year . . . . .	303,231	192,037
	<u>6,755,267</u>	<u>6,605,036</u>
Deduct:		
Dividends —		
Stock in Class A shares . . . . .	—	95,625
Cash . . . . .	153,000	57,375
	<u>153,000</u>	<u>153,000</u>
Balance at end of year . . . . .	<u>\$ 6,602,267</u>	<u>\$ 6,452,036</u>





**A. J. FREIMAN LIMITED and Subsidiary Companies**  
**CONSOLIDATED BALANCE SHEET — JANUARY 31, 1970**

ASSETS		January 31 1970	January 31 1969
CURRENT ASSETS:			
Cash . . . . .		\$ 163,625	\$ 159,115
Accounts receivable . . . . .		5,202,485	5,266,208
Merchandise valued at the lower of approximate cost or market . . . . .		4,079,622	3,880,048
Prepaid expenses . . . . .		42,585	51,234
		<u>9,488,317</u>	<u>9,356,605</u>
OTHER ASSETS:			
Cash surrender value of life insurance policies . . . . .		215,244	205,086
Deferred alterations, improvements and development expenses, less amortization . . . . .		205,869	299,316
Special refundable tax . . . . .		—	38,544
Other investments, at cost . . . . .		26,573	26,573
		<u>447,686</u>	<u>569,519</u>
FIXED ASSETS:			
Land (Note 1) . . . . .		1,047,500	1,047,500
Buildings and equipment at cost, less accumulated depreciation of \$4,059,963 (1969 — \$3,747,768) . . . . .		3,073,082	3,423,304
Leasehold improvements, less amortization . . . . .		1,461,878	1,522,827
		<u>5,582,460</u>	<u>5,993,631</u>
		<u>\$15,518,463</u>	<u>\$15,919,755</u>





## LIABILITIES

### CURRENT LIABILITIES:

Bank indebtedness . . . . .	\$ 2,941,718	\$ 4,294,957
Accounts payable and accrued liabilities . . . . .	1,996,335	1,022,979
Long term debt due within one year (Note 2) . . . . .	243,500	243,500
Income taxes . . . . .	173,443	20,583
	<u>5,354,996</u>	<u>5,582,019</u>

LONG TERM DEBT (Note 2) . . . . .	<u>2,719,500</u>	<u>2,963,000</u>
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DEFERRED INCOME TAXES (Note 3) . . . . .	<u>366,000</u>	<u>447,000</u>
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### CAPITAL STOCK AND RETAINED EARNINGS:

Preferred stock — (Note 4)		
Common stock — no par value (Note 5)		
Authorized — 1,170,000 shares		
Issued — 765,000 shares . . . . .	475,700	475,700
Retained earnings, including tax paid		
undistributed income of \$1,124 . . . . .	6,602,267	6,452,036
	<u>7,077,967</u>	<u>6,927,736</u>
	<u>\$15,518,463</u>	<u>\$15,919,755</u>

Approved on behalf of the Board:

Lawrence Freiman, Director

L. J. Steele, Director





**A. J. FREIMAN LIMITED** *and Subsidiary Companies*

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

	January 31 1970	January 31 1969
<b>Source of funds:</b>		
Net earnings for the year . . . . .	\$ 303,231	\$ 192,037
Non-cash charges deducted in arriving at net earnings —		
Depreciation and amortization . . . . .	556,618	571,591
Deferred income taxes . . . . .	( 81,000)	( 74,000)
Special refundable tax — transferred to current assets . . . . .	38,544	—
Decrease in other investments . . . . .	—	8,473
Funds provided by operations . . . . .	<u>817,393</u>	<u>698,101</u>
 <b>Application of funds:</b>		
Net additions to fixed assets . . . . .	49,057	86,165
Net increase in deferred alterations, improvements and development expenses . . . . .	2,943	28,353
Increase in special refundable tax . . . . .	—	1,554
Increase in cash surrender value of life insurance policies . . . . .	10,158	10,036
Decrease in long term debt . . . . .	243,500	243,500
Dividends . . . . .	153,000	153,000
	<u>458,658</u>	<u>522,608</u>
 Resulting in an increase in working capital of . . . . .	358,735	175,493
Working capital at beginning of year . . . . .	<u>3,774,586</u>	<u>3,599,093</u>
 Working capital at end of year . . . . .	<u>\$ 4,133,321</u>	<u>\$ 3,774,586</u>





**A. J. FREIMAN LIMITED *and Subsidiary Companies***

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 1970**

1. Land is valued as follows:

Land, per 1928 appraisal . . . . .	\$ 553,000
Subsequent additions, at cost . . . . .	494,500
	<u>\$1,047,500</u>

Land was appraised in 1965 at a value of \$1,983,000.

2. Long term debt:

	<u>Due in one year</u>	<u>Due after one year</u>
First Mortgage Bonds —		
4% sinking fund bonds, Series A, maturing May 1, 1975 . . . . .	\$112,500	\$ 562,500
6% sinking fund bonds, Series B, maturing June 15, 1979 . . . . .	31,000	459,000
6½% sinking fund debentures, Series A, maturing May 15, 1981 . . . . .	100,000	1,698,000
	<u>\$243,500</u>	<u>\$2,719,500</u>

3. Depreciation and amortization recorded in the accounts exceeded the maximum amount allowable for income tax purposes. The resulting increase of \$81,000 in income taxes currently payable has been credited to earnings in the provision for income taxes and charged to deferred income taxes.

4. Preferred stock:

1% non-cumulative Class A preferred shares of \$1 each —	
Authorized . . . . .	910,000 shares
Issued and redeemed . . . . .	898,875 shares
Unissued as at January 31, 1970 . . . . .	<u>11,125 shares</u>

5. 38,250 authorized but unissued common shares have been reserved for issuance upon exercise of stock options granted and to be granted to certain key employees under the terms of the company's stock option plan.





6. Minimum annual rentals under long term leases extending from 1975 to 1992 amount to \$753,000.
7. The remuneration of directors and salaries of officers and employees who are also directors amounted to \$119,916 in the year.
8. Trust Indentures, pursuant to which the bonds and debentures of the company have been issued, provide that the company will not declare or pay any dividends (other than stock dividends) on, or redeem, any common shares or shares issued as stock dividends unless immediately after such action,
  - (a) the consolidated net current assets of the company and its subsidiaries exceed the lesser of \$2,000,000 or 50% of the aggregate principal funded obligations of the company and its subsidiaries, and
  - (b) the aggregate amount declared as dividends, distributed and/or paid on redemption, subsequent to January 1, 1961, in respect of common shares of stock issued as dividends is not greater than the consolidated net earnings of the company and its subsidiaries during the period commencing January 1, 1960.

PRICE WATERHOUSE & CO.  
CHARTERED ACCOUNTANTS

110 ALBERT STREET  
OTTAWA 4, ONTARIO

April 10, 1970

AUDITORS' REPORT

To the Shareholders of  
A.J. Freiman Limited:

We have examined the consolidated balance sheet of A.J. Freiman Limited and subsidiary companies as at January 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse & Co*

Chartered Accountants.















